



**2005 – 2006
Annual Report**

March 31, 2006

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NKDF Annual Report



2005-2006 ANNUAL REPORT

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1. Report From The Chair

The fiscal year 2005-2006 saw the Nechako Kitamaat Development Fund Society challenged by a vast array of project proposals from throughout their investment area. In total, 19 projects were approved totalling an investment of over \$620,000 in the area from Kitamaat Village to Burns Lake to Vanderhoof.

It has been an exciting year for the NKDF by supporting many diverse and innovative investments in economic development, community infrastructure/recreation facilities, libraries and community events, to name a few, all of which contribute to the betterment of our communities and help strengthen the positive economic development climate that exists today. At years end, there were 38 active projects, some being on-going from the previous year.

During the fiscal year, the Board held five regular meetings in the investment area including Burns Lake, Vanderhoof, Kitimat, and the Southside and also two conference calls. The NKDF Society experienced some problems maintaining a full roster of Board members. While a quorum was always maintained, health issues, retirement and relocation of Directors required the Manager to focus attention on advertising and recruitment.

At the end of the fiscal year, the NKDF has nine Directors, including: Mike Robertson (Chair), Gloria Catherall, Kirk Handrahan, William McLeod (Secretary/Treasurer), Colleen Nyce, Crystal Ross, Kevin Stewart, Paul Stewart, and Linda Woodruff (Interim Secretary/Treasurer).

We are pleased to report that operations and grants were within budget. The Nechako Kitamaat Development Fund book value stands at \$16,641,507 with a grant budget for 2006/2007 of \$600,000.

I would like to thank the Directors for their dedication and commitment over the year in assessing a record number of proposals. I also acknowledge Manager Dan Boudreau for his hard work and long hours working with communities and proponents as well as promoting the NKDF Fund.

Original signed by

Mike Robertson, Chair

2. Society Overview

2.1 Mandate

The Nechako-Kitamaat Development Fund (NKDF) Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. NKDF spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

2.2 Background of the Fund

In 1997, the Government of British Columbia and Alcan Inc. each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. This BC-Alcan Agreement settled the legal issues between Alcan and the BC Government that arose from cancellation of the Kemano Completion Project. In January 1998 an advisory Board for the Northern Development Fund was formed. Its job was to advise the government on how the Fund should be run to stimulate economic growth. In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act."

Enabled by this Act, and by the recommendations of the advisory Board, the NKDF Society was incorporated on August 18, 1999. The Minister of Small Business and Economic Development appoints Board members to represent the communities of the Nechako-Kitamaat area.

2.3 Investment Area

The investment area for the NKDF is normally limited to those communities with evidence of impacts from Alcan's Nechako Reservoir and Kemano power project. We encourage applications from local governments and legally incorporated non-profit organizations serving the following communities:

District of Vanderhoof	Nadleh Whut'en Band	Burns Lake Band
Fort Fraser	Kitamaat Village	Nee Tahi Buhn Band
Village of Fraser Lake	Stellat'en First Nation	Skin Tyee Band
Village of Burns Lake	Saik'uz First Nation	Cheslatta Carrier Nation
Ootsa Lake		

Applications may be accepted from other areas of Northwestern BC, provided the listed communities receive direct economic benefits from the project and demonstrate their support for the project.

2.4 Guiding Principles of the Fund

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private business.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from outside the Nechako Region and Kitimaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of NKDF Directors will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy.
BENEFITTING FUND	The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The Fund can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The Fund will not duplicate but may augment existing economic development programs.
WORKING FUND	\$5 million from the original \$15 million Fund is in a working fund to invest in current grant programs.
LEGACY FUND	\$10 million from the original \$15 million Fund is in a legacy fund, which will be invested to reach \$15 million. * Income from this \$15 million will finance activities into the future.

* Fund investments are managed by the British Columbia Investment Management Corporation. Monies of the Northern Development Fund – to be used in support of the programs of the NKDF Society – are in investment vehicles that are generally conservative but that also provide some opportunities for growth.

2.5 Society Management

The NKDF Society is governed by a northern-based Board of government appointees who live in the investment area and represent a range of interests. Board seats during the past year were held by:

- Gloria Catherall, Burns Lake
- Kirk Handrahan, BC Government
- Bill McLeod, Vanderhoof (Secretary/Treasurer)
- Colleen Nyce, Alcan Primary Metal British Columbia
- Mike Robertson, Southside (Chair)
- Crystal Ross, Kitamaat Village
- Kevin Stewart, Kitamaat Village
- Paul Stewart, Vanderhoof
- Linda Woodruff, Vanderhoof (Interim Secretary/Treasurer)

Four Director's terms ended during the past fiscal, including Dave Merz, Bill Stewart, Ellis Ross and Nina Shaw. As well, Lonny Miller resigned when his employment necessitated moving outside the investment area.

Management services are provided through a part-time contract with Dan Boudreau, who is based in Prince George.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred \$4.36 million from the Northern Development Fund to the NKDF Society for its operations and programs. The balance of the original \$15 million remains under the control of the BC Investment Management Corporation. (See financial statements for detailed balances of the Society's various accounts.)

The Directors and Manager report to the Minister of Economic Development.¹ The Minister is responsible for approving the Society's annual business plan and for appointing all Society Directors. This reporting relationship is intended to ensure that the Society's actions continue to adapt to changes in provincial government priorities and direction.

In addition to the Society's relationship with the province, the Society also has relationships with federal government ministries and agencies such as Service Canada, Western Economic Diversification and Indian and Northern Affairs in order to coordinate work on projects of mutual interest.

¹ Kirk Handrahan is the current Government employee responsible for the NKDF file, but the Society is ultimately responsible to the Minister of Economic Development.

3. Goals and Achievements

This section is informed by the formal evaluation form completed by Society Directors at the end of each fiscal year, where criteria are judged on a score of 1 to 4, with 1 being poor, 2 being fair, 3 being good and 4 being excellent. The goal is to achieve scores of 3 or 4, and to develop strategies to improve in areas that are scored only 1 or 2.

3.1 Operations

Board Operations

There were five regular Board meetings this year and two conference calls. The meetings were located in Terrace, Fraser Lake, Burns Lake, Smithers, and Vanderhoof.

In the annual evaluation, Directors rated overall operations as good for most aspects. Meeting and conference call effectiveness were rated at good to excellent. This year the Board successfully transitioned to a new executive and delivered on its mandate without disruption for existing clients or new applicants. This is made possible partially because the Board meetings are organized and effective, and Directors are sincere and take their roles seriously.

For the upcoming year, Directors plan to play a stronger role in promoting the Society's programs and by attending grand opening and publicity events where possible.

Directors agree that the Board meetings and conference calls provide an effective forum for healthy, open-minded discussion. The consensus method is working well for decision making. Overall, the Society enjoys a good mix of Directors who share a common interest and are willing to work together for the benefit of all communities in the investment area.

Management Services

In the annual evaluation, Directors rated the Management Services at good to excellent. Directors were generally very pleased with the flow of information and communication at all levels, including Directors, clients and applicants.

The Manager is doing a good job of providing agendas well in advance of meetings. Applicants are well informed by the Manager, which means they understand NKDF requirements and protocol and are able to provide the right information to enable Directors to make informed decisions.

As indicated by the evaluations, the Manager will focus on two main areas for the upcoming year: providing succinct reports during the business section of meetings in order to allow more time on discussion and decision making for proposals and projects, and continuing to increase knowledge and profile in the communities. Directors expressed an appreciation for the quality of the Management Services and in particular, the Managers attitude with Board members, clients and applicants.

3.2 Programs

Community Grant Program

This year saw a total of 24 new applications and 19 approvals totaling \$623,268 for the entire investment area.

This year Directors rated the Community Grant Program as good to excellent. It is generally felt that our grant program is effective and that our clear vision helps to guide decision making. Funds are being allocated effectively to each of the areas and the grants are for worthwhile projects that benefit the communities and the investment area. Directors are pleased that we have successfully leveraged Society funds with investment funds from other agencies.

For the upcoming year we will continue to promote the programs and increase the uptake in the smaller communities. For the most part we are doing well with media recognition and getting positive feedback from the public.

Throughout the year the Manager and Directors welcome feedback on how to make the guidelines more suitable for community needs. At the same time, the Directors focus on ensuring the fund is safeguarded by making cautious decisions that are acceptable to government, business people and communities outside the investment area, all of whom may raise legitimate issues about unfair subsidies or competition.

Detailed descriptions of the projects approved this year are in section 4.

Community Legacy Fund Program

In order to perpetuate NKDF programs into the future, only \$5 million of the \$15 million fund is to be used for a "working fund" to fund the grant program. The "Legacy Fund" is for the balance of Society funds, which are not to be spent, but are invested to grow to a value of \$15 million. When the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations and grants.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2006 is \$14,678,620. The annual evaluation indicates some disappointment with the low rate of return on the Legacy Fund.

Business Loan Program

This was a short-lived program for the NKDF, cancelled as a result of the government-led performance review. The review ruled that the program creates a business subsidy, and is therefore contrary to current government policy. Only one loan is currently outstanding, valued at \$33,228. The Society receives quarterly payments, with interest, from the Community Futures Development Corporations that manage the loans.

4. Grants Program Details

The Society approved \$523,165 in new grants this year bringing the total approved funding to \$3,497,529 since inception. The following table shows grant proposed numbers in this year and all prior years since the inception of the fund.

Year	Proposals received	Proposals approved	Proposals not approved	Total \$ committed	Total \$ Paid
2000-2001	24	10	5	\$221,165	\$221,165
2001-2002	24	20	6	\$200,000	\$210,000
2002-2003	45	31	14	\$1,347,287	\$636,775
2003-2004	8	7	1	\$100,000	\$100,000
2004-2005	20	11	9	\$200,000	\$200,000
2005-2006	13	6	7	\$127,500	\$140,000
2006-2007	0	0	0	\$0.00	\$0.00
Total	124	85	42	\$3,497,952	\$1,408,040

This table summarizes the grant projects approved or under contract during in the 2005-2006 fiscal year. Details about all projects under contract are on the following pages.

APPLICANT	PROJECT	AMOUNT	STATUS
Burns Lake Arts & Culture Committee	Community Arts Festival	\$ 7,500	In progress
Burns Lake Native Development Corp.	Economic Dev't Conference	\$ 1,000	Complete
Burns Lake Sport Centre Association	Team Pouch Memorial Award	\$ 20,000	In progress
College of New Caledonia	Forest Operations Program	\$ 20,000	In progress
Cooperation of the village of Burns Lake	Weekend Fishing	\$ 15,000	In progress
District of Vanderhoof	Art Show	\$ 5,000	In progress
District of Vanderhoof	Community Signs	\$ 20,000	In progress
District of Vanderhoof	Home Dressing Rooms	\$ 100,000	In progress
Kitimat Village Council	PV Park Business Plan	\$ 25,000	Complete
Kitimat Village Council	Home MPPV Renovations	\$ 15,000	Complete
Lakes District Sport Society	Feasibility Study	\$ 5,000	In progress
Let's Enhance & Develop Society	Hydro Test Systems	\$ 1,000	In progress
Nechako Valley Reg. Catchment Area	Swath Mapping Demon	\$ 15,000	In progress
Nechako River Basin Catchment Area Dist.	Swath Mapping	\$ 100,000	In progress
North Coast Salmon Society	Swath Map Testing	\$ 25,000	Complete
North Coast Salmon Society	Swath Testing	\$ 20,000	In progress
Southside Economic Dev't Association	Homeowners' Conference	\$ 1,000	Complete
Southside Economic Dev't Association	SEDA Centre	\$ 75,000	In progress
St. John's Hospital Auxiliary Society	Operating Room Renovation	\$ 15,000	Complete
		\$ 625,000	

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The following table summarizes projects not approved in 2003-2004:

Project	Date Requested	Amount Requested	Reason for Rejection
Building Environment Management Corps	20 May 03	\$17,000	Project contained one and possibly all parties. Was not a community development project and was not a priority project.
Community Housing Program	11 May 03	\$20,000	Project contained one and possibly all parties. Was not a priority project.
Cultural Awareness Training	11 May 03	\$20,000	Project contained one and possibly all parties. Was not a priority project.
Spokane River	20 May 03	\$10,000	Project contained one and possibly all parties. Was not a priority project.
Spokane River	20 May 03	\$10,000	Project contained one and possibly all parties. Was not a priority project.

6. Project Descriptions Sorted by Location (East to West)

6.1 Vancouver Projects

City of Vancouver

\$2,000

Project Description

The project is an Arts and Cultural assessment conducted by the City of Vancouver in partnership with various arts and cultural groups in the business area. The project is supported by the City of Vancouver Community Development. It is a necessary component to the overall goal of the 2010 Olympic bid, which is to create a sustainable legacy that will benefit all British Columbians as a result of hosting the 2010 Olympic and Paralympic Games. Funding partners include the City of Vancouver, 2010 Olympic Program and the British Columbia Arts Council. The City of Vancouver will create a directory of cultural resources for the area as well as identifying economic and educational opportunities.

Community of Vancouver

\$10,000

Project Description

The purpose of this project is to create and install public art pieces, including signs on Highway 10 to the east and west of Vancouver. The signs are to be installed in stages, approximately 10, 15, and within 30 hours and days with lighting. The City of Vancouver is funding 50% of the project, which is expected to complete during the summer of 2004.

Executive Summary

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Executive Summary / Management Discussion

The Board of Directors has reviewed the financial statements of the Company for the year ended December 31, 1998, and has determined that the financial statements are presented fairly in all material aspects the financial position, results of operations and cash flows of the Company for the year ended December 31, 1998, in accordance with generally accepted accounting principles.

Notes to Financial Statements

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Notes to Financial Statements / Management Discussion

The following notes are an integral part of the financial statements of the Company. They provide additional information and details regarding the financial statements and the Company's financial position, results of operations and cash flows. The notes are presented in accordance with generally accepted accounting principles and are intended to provide a more complete understanding of the Company's financial statements.

Notes to Financial Statements

Notes to Financial Statements / Management Discussion

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Notes to Financial Statements

The following notes are an integral part of the financial statements of the Company. They provide additional information and details regarding the financial statements and the Company's financial position, results of operations and cash flows. The notes are presented in accordance with generally accepted accounting principles and are intended to provide a more complete understanding of the Company's financial statements.

Cimolza HIPPY Renovations**\$15,000*****Klamath Village Council***

The purpose of this project is to assist with renovations to Cimolza Childcare Centre in Klamath Village. Cimolza plans to provide the Home Instruction for Parents of Preschool Youth (HIPPY) program to members of Haisla Nation. In order to create a healthy and effective environment for staff, parents and children, the centre required upgrades to the facility, including increasing the office space, removal of carpeting in the play area, increasing the kitchen area, closing off the infant/toddler washroom from the public, and purchase of office equipment.

Water Testing**\$36,507*****North Coast Water Quality & Biodiversity Program Society***

A number of BC's Coastal communities are exploring how they can enter the lucrative shellfish farming industry. In order to do so, the area waters must be tested for bivalvins and other contaminants to make sure the water quality is acceptable. NCWQBPS has successfully completed a two-year water-testing program near Klamath Village that could attract private investment in shellfish aquaculture. The purpose of this project is to continue the testing for one more year, but also to double the number of testing stations. NCWQBPS, the Society with the necessary expertise to design this project, is based in Prince Rupert but they sub-contract the work to a Klamath-based crew. This project is a step toward removing that barrier to advancing shellfish development in the Haisla territory.

5.4 Regional Projects***Forest Equipment Operators Program*****\$30,000*****College of New Caledonia***

The purpose of this project is to purchase equipment simulator technology and equipment for a new Forest Equipment Operators Program at the College of New Caledonia. After successful completion of a pilot session of the program with leased simulators, the applicant approached NRDF for assistance with the purchase of simulators. The funding assistance will help to reduce delivery costs and increase the accessibility to students by lowering the tuition fees. The purchase of the simulators will enable CNC to deliver the program up to six times per year on a rotating basis at each of the regional campuses, two of which are within the NRDF investment area (Burns Lake and Vanderhoof). This project is strongly supported by industry and funding partners include the College of New Caledonia and Vancouver Foundation.

Swath Grazing Demonstrations

\$15,920

Nechako Valley Regional Cattlemen Association

The purpose of this project is to conduct swath grazing demonstrations for the cattle producers in the Nechako Valley. Swath grazing has become a viable management practice, in the Peace River region of BC and throughout Alberta. This practice can be used to extend the grazing season and to reduce feed' labour and manure handling costs for cattle producers. The swath grazing management practice involves seeding annual cereals in mid-May to early June and swathing the crop in late August to mid-September when the crop reaches the soft to late dough stage and before killing frosts. The swaths are left in the field for the cattle to graze during the winter. The plan is to provide four field scale demonstration projects in the Vanderhoof/Ft Fraser area. The projects will have four ranch operations utilize swath grazing practices in the late fall of 2006. Sites will be spread throughout the Nechako Valley with the goal of utilizing differing location and production factors.

Operating Room Enhancement

\$15,000

St. John Hospital Auxiliary Society

The goal of this project is to increase surgical services at St. John Hospital in Vanderhoof by purchasing arthroscopic surgical equipment and patient care monitoring systems. The applicant implemented and highly successful fundraising campaign to raise the majority of investment required for this project. This project brings economic benefit by increasing the number of operating room procedures possible per year. The project will enhance level of medical services to Vanderhoof, Endako, Fort Fraser, Fraser Lake, Ft. St. James, Nak'azdli, Tlaz'en, Stellat'en, Nadleh Whut'en and Saik'uz.

6. Financial Highlights as of March 31, 2006

2005-2006 Income and Expenses	Budgeted	Actual
Administration Expenses	\$79,945	\$74,283
Grant Payments (Approved \$623,000) ²	\$1,533,097	\$592,652
Investment Income	\$71,552	\$141,870
Loans, Principal And Interest Repaid	\$25,975	\$28,479

Note to administration expenses: Administration costs were lower than expected at least partially because two representatives kindly served at their employer's expense (BC Government and Alcan). Manager fees were \$46,661, Director Honoraria totalled \$5,113, travel and meeting costs were \$10,365 and the balance of \$10,242 was for accounting, advertising and office expenses.

Note to grants: The Society approved a total of \$623,169 in new grants for the year.

Note to investment income: NKDF investments are held at Integris Credit Union in Vanderhoof and with Phillips Hager and North (PHN). Most of the gains recorded this year were on equities and bond funds held with PHN.

Note to loans: No new loans have been made since the loans program was cancelled. At March 31, 2006 the outstanding balance on the loans account was \$33,228.

Account Balances as of March 31, 2006	Assets	Liabilities
Loan Funds Receivable	\$33,228	
Integris Credit Union Accounts	1,365,520	
Phillips, Hager & North Investments	1,458,333	
Accrued Interest & Receivables	16,365	
Total Assets	\$2,873,446	
Less Grant Commitments Outstanding		-1,082,793
Total NKDF Assets Minus Liabilities		\$1,790,653

Combined assets: The balance of the original \$15 million dollar contributions from Alcan and the BC Government are held in the Northern Development Fund, managed by the British Columbia Investment Management Corporation. The market value of this investment account as of March 31, 2006 was \$14,678,620, so the combined assets of the NKDF and the Northern Development Fund total \$17,549,566.

Annual Audit: The annual audit of the NKDFS was completed in May 2006 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

² Includes prior year grant commitments and new grant expenditures.

Appendix A: Audited Financial Statements